

ADDENDUM C – SAMPLE NON-FAMP CALCULATIONS RESULTING FROM TRRx REFUND PROCESS (VA SECTION)

I. NON-FAMP CONSIDERATIONS

If TRRx sales include product delivered through wholesalers (as opposed to direct sales to pharmacies), and a manufacturer uses wholesale sales to compute non-FAMPs, these TRRx sales and units must be removed from wholesale sales to calculate non-FAMPs.

If products sold to TRRx were originally booked as direct sales to a retail chain, it is likely that these sales were already excluded from the non-FAMP calculations, and they should not be backed out a second time.

Direct contract sales from manufacturers are already excluded from AMP and non-FAMP, unless the manufacturer only sells direct or less than 10 percent of unit sales are through a wholesaler, then the buyer is considered the wholesaler for non-FAMP purposes.

If a manufacturer is required to use direct sales to compute non-FAMPs (because of the absence of wholesale sales), then TRRx purchases (dollars and units) included in direct *contract* sales should be backed out from the non-FAMP calculations.

If the TRRx transactions cause anomalies in the non-FAMP that are not taken care of through the normal chargeback smoothing methodology, communicate those issues for consideration to the National Acquisition Center (708-786-5167).

Sample Scenarios of Non-FAMP impact

1. Scenario 1, Method 1

Manufacturer sells only to Wholesalers,

Manufacturer has no contractual agreements with the retail pharmacies,

Manufacturer removes Federal sales by using the FCP

Annual Non-FAMP = \$94.74

Original Calculation

	DOLLARS	UNITS
WHOLESALE SALES (WAC = \$100)	\$10,000,000.00	100,000
LESS:		
PROMPT PAY DISCOUNT (2%)	\$ 200,000.00	
GOVERNMENT SALES @ \$72	\$ 360,000.00	5,000
PHS @ 602 PRICE \$75	\$ 2,250.00	30
CHARGEBACKS	\$ 523,075.00	
SUBTOTAL REDUCTIONS	\$ 1,085,325.00	
NON-FEDERAL DOLLARS & UNITS	\$ 8,914,675.00	94,970
New Quarterly NON-FAMP	\$93.87	

PROCESS AND PROCEDURES – VOLUNTARY AGREEMENTS FOR RETAIL REFUNDS

TRRx reports to manufacturer that retail pharmacies purchased 1,250 units of the NDC.

Given the assumptions the refund to TRICARE would be: $1,250 \times (\$94.74 - \$72.00) = \$28,425$

Non-FAMP changes

When the manufacturer does not know the price to the retailer; the refund to TRICARE based on non-FAMP cannot be used to re-state the non-FAMP.

The amount used to restate the non-FAMP must be at WAC. (The fact that TRICARE has offered Manufacturers a lesser price to calculate the refund cannot translate to an assumption that the original sale occurred at other than WAC.)

Changes to non-FAMP (Scenario 1, Method 1)

Government sales at FCP are increased by 1,250 units at \$72.00, units are increased by 1,250.

An additional reduction is made to account for the TRRx refund which is the difference between WAC and the FCP times the number of units or $(100 - \$72) \times 1,250 = \$35,000$

Effect on Non-FAMP Changes

	DOLLARS	UNITS
WHOLESALE SALES (WAC = \$100)	\$10,000,000.00	100,000
LESS:		
PROMPT PAY DISCOUNT (2%)	\$ 200,000.00	
GOVERNMENT SALES @ \$72	\$ 450,000.00	6,250
PHS @ 602 PRICE \$75	\$ 2,250.00	30
CHARGEBACKS	\$ 523,075.00	
TRRX Refund @ WAC	\$ 35,000.00	
SUBTOTAL REDUCTIONS	\$ 1,210,325.00	
NON-FEDERAL DOLLARS & UNITS	\$ 8,789,675.00	93,720
NON-FAMP	\$93.79	

2. Scenario 1 Method 2

Manufacturer sells only to Wholesalers,

Manufacturer has no contractual agreements with the retail pharmacies

Manufacturer removes Federal sales by adjusting wholesale sales and chargebacks

Non-FAMP = \$94.74.

*Scenario 1, Method 2 (cont.)**Original Calculation*

	DOLLARS	UNITS
WHOLESALE SALES (WAC = \$100)	\$10,000,000.00	100,000
LESS:		
PROMPT PAY DISCOUNT (2%)	\$ 200,000.00	
GOVERNMENT SALES @ WAC	\$ 500,000.00	5,000
PHS @ WAC	\$ 3,000.00	30
CHARGEBACKS	\$ 523,075.00	
(Less government & PHS chargebacks)	\$ -140,750.00	
SUBTOTAL REDUCTIONS	\$ 1,085,325.00	
NON-FEDERAL DOLLARS & UNITS	\$ 8,914,675.00	94,970
NON-FAMP	\$93.87	

Scenario 1, Method 2: Non-FAMP Changes

Government sales at “WAC” is increased by 1,250 x \$100.00.

Units are increased by 1,250.

No further adjustment is necessary, because the chargeback system is not affected by the transaction.

Effect on Non-FAMP

	DOLLARS	UNITS
WHOLESALE SALES (WAC = \$100)	\$10,000,000.00	100,000
LESS:		
PROMPT PAY DISCOUNT (2%)	\$ 200,000.00	
GOVERNMENT SALES @ WAC	\$ 625,000.00	6,250
PHS @ WAC	\$ 3,000.00	30
CHARGEBACKS	\$ 523,075.00	
(Less government & PHS chargebacks)	\$ -140,750.00	
SUBTOTAL REDUCTIONS	\$ 1,210,325.00	
NON-FEDERAL DOLLARS & UNITS	\$ 8,789,675.00	93,720
NON-FAMP	\$93.79	

3. Scenario 2, Method 1

Manufacturer sells only to Wholesalers,
 Manufacturer has agreement with the retail pharmacy at a sales price of \$95.00, and
 Manufacturer removes Federal sales by using the FCP.

Original Calculation

	DOLLARS	UNITS
WHOLESALE SALES (WAC = \$100)	\$10,000,000.00	100,000
LESS:		
PROMPT PAY DISCOUNT (2%)	\$ 200,000.00	
GOVERNMENT SALES @ \$72.00	\$ 360,000.00	5,000
PHS (@ 602 PRICE \$75.00)	\$ 2,250.00	30
CHARGEBACKS	\$ 523,075.00	
SUBTOTAL REDUCTIONS	\$ 1,085,325.00	
NON-FEDERAL DOLLARS & UNITS	\$ 8,914,675.00	94,970
NON-FAMP	\$93.87	

TRRx reports to manufacturer that retail pharmacies purchased 1,250 units of the NDC.

Given the assumptions (wholesale sales only, known contract price to retail pharmacy the refund to TRICARE would be $1,250 \times (\$95.00 - \$72.00) = \$28,750$

Method 1: Changes to Non-FAMP

When the manufacturer knows the price to the retailer, those transactions will need to be replaced with TRICARE transactions.

The chargeback transactions are decreased by the chargebacks for those units now classified as TRICARE ($1,250 \times \$5.00 = \$6,250$).

An additional reduction is made to account for the TRRx refund which is the difference between WAC and the FCP times the number of units or $(\$100 - \$72) \times 1,250 = \$35,000$.

The fact that TRICARE has offered Manufacturers a lesser price to calculate the refund cannot translate to an assumption that the original sale occurred at other than WAC.

Effect on Non-FAMP

	DOLLARS	UNITS
WHOLESALE SALES (WAC = \$100)	\$10,000,000.00	100,000
LESS:		
PROMPT PAY DISCOUNT (2%)	\$ 200,000.00	
GOVERNMENT SALES @ \$72.00	\$ 450,000.00	6,250
PHS (@ 602 price \$75.00)	\$ 2,250.00	30
CHARGEBACKS	\$ 516,825.00	
TRRx Refund @ WAC	\$ 35,000.00	
SUBTOTAL REDUCTIONS	\$ 1,204,075.00	
NON-FEDERAL DOLLARS & UNITS	\$ 8,795,925.00	93,720
NON-FAMP	\$93.85	

4. Scenario 2, Method 2

Manufacturer sells only to Wholesalers

Manufacturer has contractual agreements with the retail pharmacies

PROCESS AND PROCEDURES – VOLUNTARY AGREEMENTS FOR RETAIL REFUNDS

Manufacturer removes Federal sales by adjusting wholesale sales and chargebacks
Non-FAMP = \$94.74

Original Calculation

	DOLLARS	UNITS
WHOLESALE SALES (WAC = \$100)	\$10,000,000.00	100,000
LESS:		
PROMPT PAY DISCOUNT (2%)	\$ 200,000.00	
GOVERNMENT SALES @ WAC	\$ 500,000.00	5,000
PHS @ WAC	\$ 3,000.00	30
CHARGEBACKS	\$ 523,075.00	
(Less Government and PHS chargebacks)	\$ - 140,750.00	
SUBTOTAL REDUCTIONS	\$ 1,085,325.00	
NON-FEDERAL DOLLARS & UNITS	\$ 8,914,675.00	94,970
NON-FAMP	\$93.87	

Method 2: Changes to non-FAMP

Government sales at “WAC” is increased by 1,250 x \$100.00,

Units are increased by 1,250

No further adjustment is necessary because the chargeback system is not affected by the transaction.

Effect to non-FAMP

	DOLLARS	UNITS
WHOLESALE SALES (WAC = \$100)	\$10,000,000.00	100,000
LESS:		
PROMPT PAY DISCOUNT (2%)	\$ 200,000.00	
GOVERNMENT SALES @ WAC	\$ 625,000.00	6,250
PHS @ WAC	\$ 3,000.00	30
CHARGEBACKS	\$ 516,825.00	
(Less Government and PHS chargebacks)	\$ - 140,750.00	
SUBTOTAL REDUCTIONS	\$ 1,204,075.00	
NON-FEDERAL DOLLARS & UNITS	\$ 8,795,925.00	93,720
NON-FAMP	\$93.85	